

WORLD TRADE ORGANIZATION

WT/MIN(98)/ST/57

18 May 1998

(98-2053)

MINISTERIAL CONFERENCE
Second Session
Geneva, 18 and 20 May 1998

Original: English

UNITED STATES

Statement Circulated by Ambassador Charlene Barshefsky,
Trade Representative

On behalf of the U.S. delegation to the Second Ministerial Conference of the World Trade Organization, let me express my gratitude to the organizers of this Ministerial Conference, to the government of Switzerland and the city of Geneva, and to all the Members of the WTO.

THE FIFTIETH ANNIVERSARY

This Second Ministerial Conference marks an historic anniversary. Fifty years ago, representatives of twenty-three nations met to establish the General Agreement on Tariffs and Trade. And before focusing on an agenda for the WTO, let me offer some thoughts on their accomplishment and its results.

In the spring of 1948, the world was of course recovering from the physical wounds of the Second World War. But the GATT was established not only to revive economic life after that catastrophe, but to heal the older wound created in the world economy after the First World War. To quote from John Maynard Keynes in The Economic Consequences of the Peace, written in 1919:

“What an extraordinary episode in the progress of man was that which came to an end in August 1914. The inhabitant of London could order by telephone the various products of the whole earth, and reasonably expect their early delivery upon his doorstep; he could at the same moment adventure his wealth in the natural resources and new enterprises of any quarter of the world ... and most important of all, he regarded this state of affairs as normal, certain and permanent, except in the direction of improvement, and any deviation from it as scandalous, aberrant and avoidable.”

The founders of the GATT had learned from bitter experience that such a deviation, while avoidable, was entirely possible. The entire world had felt the consequences of dismantling the open economy. And their task, in essence, was to reestablish it.

They created a contractual system, based on a broad vision of openness, the rule of law, mutual benefit and enlightened self-interest. Fifty years later, we see that their work was a resounding success.

The membership of the system has grown from 23 to 132, and 31 more economies have applied to join. Its coverage began with border measures such as tariffs and quotas. It moved on to non-tariff barriers in the Tokyo Round. In the Uruguay Round it began to address services, investment, intellectual property and agricultural trade. Most recently, it began to lay the foundation for an open 21st century economy through last year's agreements on Information Technology, Basic Telecommunications and Financial Services.

As a result, international exports in goods have grown, in real terms, from \$346 billion in 1950 to \$5.3 trillion in 1997. Since 1960, growth in trade has helped to nearly triple world economic output and double world per capita income. And last year, measuring the ratio of trade to world economic production, the world recovered the degree of openness it last enjoyed in August 1914.

This means workers take advantage of higher skills and larger markets to raise their income; and as consumers, these workers' incomes have greater purchasing power as they can spend it on a wider range of commodities and services than ever before. Inventors, scientists and creative artists bring their work from the laboratory and studio to the commercial market more quickly and more easily -- thus helping to eradicate diseases, make factories safer places to work, and improve the quality of life. Farmers and ranchers earn a better return for their work, and nations enjoy a more reliable supply of food for their people. In sum, as the trading system makes the world more prosperous, it encourages peaceful resolution of disputes, advances the rule of law, and helps Americans and the citizens of all its members live better lives.

LOOKING AHEAD

This record commands respect and admiration. The United States takes great pride in its contribution to the system for the last half-century. But this record cannot be the ending point. We must now look ahead, to make sure we serve the next fifty years as well as the founders of the GATT did the last. And we believe the system now faces four great challenges.

First, we must complete the unfinished business of the first fifty years in opening markets for manufactured goods, agricultural products and services, as well as improving the coverage and depth of the system.

Second, we must integrate new members on commercially meaningful terms, to make the rules-based system truly worldwide.

Third, we must respond to the scientific revolution by ensuring that the trading system helps promote the development of new and beneficial technologies and eases their passage from the laboratory to the market.

And fourth, we must address the concerns of citizens about openness, transparency, and the effect of trade on the quality of life.

Our opportunity at this Ministerial is to lay the groundwork for a successful approach to each of these challenges. Let me take them up in order.

THE UNFINISHED WORK

First, completing the work begun so well fifty years ago, and moving on to broaden and deepen the system.

That effort begins with the "built-in agenda" agreed to at the close of the Uruguay Round negotiations. We, like others, recognize that the built-in agenda may not encompass all the issues that the WTO must address -- for example, specific directions to expand industrial market access or improve existing rules. The United States is flexible and open to suggestions for further work, but it is essential that we remain faithful to the commitments of the Uruguay Round on the built-in agenda. This Conference must close with a plan of action that prepares us for the launch of these negotiations when we next meet. The United States would welcome the opportunity to host the Ministerial Conference in 1999 that will formally launch the negotiating process.

A. AGRICULTURE -- Most immediately, we look ahead to the opening of comprehensive negotiations on agricultural trade. These negotiations will continue the landmark reforms of world agricultural trade begun in the Uruguay Round. And we must do the preparatory work to allow them to begin on time.

If these negotiations reach their potential, they can create a world which fairly rewards farmers and ranchers for their work, offers consumers the broadest range of choices at prices that reflect production costs rather than trade barriers, makes food supplies more reliable, and reduces hunger worldwide. The talks will require consultations with a range of interests. But in addition to such issues as administration of tariff rate quotas and implementation of existing commitments, let me cite four areas we believe must be priorities:

Market access: Tariffs on agricultural products remain quite high. We envision negotiations for broad reductions in tariffs, combined with improved rules for tariff rate quotas and assurances against use of restrictive administrative procedures as substitutes for such barriers.

Export subsidies: With the beginning made in the Uruguay Round, we must continue working to reduce and eventually eliminate export subsidies.

Transparency and improved disciplines on State Trading Enterprises: STEs can distort trade and frequently operate in secret. This can both restrict imports and distort trade more generally. We must build upon our ongoing efforts in the WTO's Working Group on STEs as negotiations begin.

Biotechnology: Biotechnology holds tremendous promise for improving the productivity of agricultural producers, enabling them to conserve habitat, and helping to guarantee the food supply. The principal threats to this are policies not based on science regarding importation, planting and labelling of biotechnology products. The world's producers must be able to use safe, beneficial scientific techniques that make farms and ranches more productive and friendly to the environment.

B. SERVICES -- The WTO recognizes that any discussion of the globalization of commerce must inevitably turn to the role of trade in services. Services -- like distribution, transportation, telecommunications, design, marketing, the professions and management -- are essential to the strategy of any business, agricultural or industrial company, and in a broader sense to the functioning of any modern, prosperous economy. An open, well-regulated services market provides the necessary foundation for a country's ability to compete.

In the Uruguay Round, our major accomplishment was to create trade disciplines for this sector in the General Agreement on Trade in Services. Since then, in the financial services and basic telecommunications negotiations, we have demonstrated our determination to apply those rules in a way that provides new commercial opportunities for our private sectors, promotes equitable economic growth, and builds the infrastructure for a more interconnected global economy of the 21st century.

Equally important, WTO rules on services apply to *all* service sectors, excepting only air landing rights, and including services in the cultural industries. In fact, trade rules have applied to the audiovisual sector since the founding of the GATT in 1947, and have always been sufficiently flexible to take account of each country's unique tradition. So while some countries may exempt themselves from WTO rules, for example, to provide support only to national artists, others have used WTO rules to seek redress for distribution or other clearly commercial aspects of these industries. More and more, as they join the WTO, countries are taking on commitments in the broadest possible range of sectors, recognizing the value to their consumers and their producers of comprehensive, predictable rules on trade in services.

We have now begun to prepare for the negotiations envisioned in the Uruguay Round. This month, the Council for Trade in Services agreed on a work program for the first stage in those preparations. This is an information exchange that will form the basis for an assessment of trade in services, including steps Members have taken to liberalize autonomously. We also may be able to identify trends as to how governments are changing the way they regulate particular services industries, and doing so in ways that facilitate competition, transparency, and consumer interests.

We must also establish negotiation procedures. A number of WTO Members already have devoted attention to this question, and we look forward to a discussion that builds on our success in financial services and basic telecommunications to set a path for success on a much larger scale in the broader GATS negotiations. In a highly regulated sector like basic telecom, for example, many participants recognized that providing GATS market access and national treatment commitments were insufficient. Governments also needed to provide guarantees to prevent anti-competitive behaviour by dominant suppliers, maintain open and transparent licensing procedures, and ensure the impartiality of the government regulatory body. We look forward to working with other WTO Members to explore whether this or a similar approach may be appropriate elsewhere.

C. INTELLECTUAL PROPERTY RIGHTS PROTECTION -- We must also improve our work on intellectual property rights -- the basis of scientific advance and artistic creation.

The TRIPS agreement in the Uruguay Round ensured a minimum world standard for the protection of copyright, patents, trademarks and other types of intellectual property. We must now ensure timely implementation of all commitments under TRIPS, and look ahead to the future. The following priorities emerge:

TRIPS Implementation -- The first priority is full and timely implementation of the obligations of the TRIPS Agreement. The United States looks forward to implementation of TRIPS by January 1, 2000, and will work with Members as necessary to assist them in meeting this deadline.

Biotechnology -- We also have significant opportunities to improve the minimum standards for intellectual property protection through the WTO's "built-in agenda." Most significant is the review under Article 27.3 of the exclusion from patentability of plants and animals, which is required by the Agreement to begin in 1999. Biotechnology inventions hold great promise for curing disease, improving our food supply, and protecting our environment. Many WTO members recognize these valuable contributions and provide protection for biotech products. The impending review of the protection provided in this area under the TRIPS Agreement is one of our most important tasks in the year ahead.

New Technologies -- Finally, we must recognize and provide protection for the advances in technology that have occurred since the negotiation of the TRIPS Agreement, and will occur in the future. Since the TRIPS Agreement, we have witnessed significant technological developments related to the digital environment, such as the Internet. TRIPS anticipated that there would be a need to improve the levels of protection for intellectual property and allows such an accommodation by providing for incorporation of higher levels of protection. We have an opportunity to adjust the TRIPS standards upwards by incorporating into the WTO the substantive obligations of the 1996 WIPO copyright treaties, in order to provide better protection for computer software and similar products in the 21st century. We can further enhance the TRIPS Agreement by incorporating into it the level of protection provided for plant varieties that is established under the UPOV Convention. Finally, with regard to Trademarks, we would anticipate incorporation of the WIPO Trademark Law Treaty into the WTO TRIPS Agreement.

D. **GOVERNMENT PROCUREMENT** -- We must also examine ways in which the multilateral system can encourage both liberalized trade and good governance. One particularly appropriate opportunity is government procurement.

Conclusion of an agreement on transparency in government procurement would contribute to the establishment of predictable and competitive bidding environments for government procurement throughout the world, enabling governments and the citizens they serve to receive the greatest benefit for government expenditures. Government procurements are estimated to be worth well over \$3.1 trillion annually, but only 26 WTO Members presently belong to the plurilateral WTO Government Procurement Agreement.

An agreement on government procurement transparency would encourage fiscal responsibility and greater government accountability, and complement the international efforts to combat corruption relating to government procurement worldwide. To maximize this opportunity, we should seek to conclude an agreement on transparency in government procurement by the next Ministerial Conference.

E. **GOVERNANCE** -- A related point is that of governance generally. For example, despite successive negotiating Rounds and long membership in the system, some economies remain more characterized by closed markets, lack of transparency and informal cliques than by laws, rules and contracts. The seeds of financial crises lie in this phenomenon: excessively close ties between government, business, and banks, lack of transparency and suppression of competition and market mechanisms.

As we look ahead, we must examine whether GATT or the WTO should have been more alert to these structural and systemic barriers to trade; whether the WTO can work more effectively with the International Monetary Fund or other organizations to correct them; and how the WTO can help to improve governance and prevent similar problems in the future. For example, the WTO can help to ensure that national regulatory practices are fully transparent and not politically directed. This includes the principles of genuine national treatment and due process, commitments to publish and make widely available all regulations, and to ensure that it is those public regulations and not others that are actually applied.

F. **BRIBERY AND CORRUPTION** -- The WTO must also begin a more direct consideration of bribery and corruption. These subvert and can destroy political processes; stifle efficient markets; and act as an invisible tariff on most imports and contracts.

To this point the OECD has taken the lead on these questions. In 1994, it adopted a recommendation on fighting bribery and in 1996 adopted a recommendation to prohibit the tax deductibility of bribes in international business transactions. In 1997, the OECD and five non-member countries agreed on a Convention requiring governments to make this conduct a criminal offense.

The WTO itself has established and begun enforcing basic rules that diminish opportunities for bribery and corruption in, for example, transparency in government procurement and customs valuation. These are important first steps. We must now explore means by which the WTO could more fully address these issues.

NEW MEMBERS

The second challenge is that presented by growing membership.

Thirty-one economies, making up nearly a quarter of the world's population, are now applying for membership, including a number of economies in transition. As long as they remain outside the

rules-based system that now includes most of world trade, the system will be incomplete and subject to distortion from outside. For their part, the applicants will benefit from the WTO's basic principles of market economics under the rule of law. And the broader vision of the trading system as a contributor not only to mutually beneficial trade but to world peace itself will remain only partially fulfilled.

Thus the United States views these accessions as an important opportunity, comparable to the integration of Japan and Germany into world trade soon after World War II. Their entry will help complete the system, assist the efforts of applicants to reform their own economic systems, and build a truly fair and open world economy.

Thus the WTO's responsibility is to integrate these economies into the world trading system. But to strengthen rather than weaken the system, they must be admitted on a commercially meaningful basis. That is, they must accept the rules and obligations created by the GATT and WTO in the past fifty years. The result must be enforceable commitments to open markets; transparent, non-discriminatory regulatory systems; and effective national treatment both at the border and within the domestic economy. We look forward to continuing discussions with the applicants and an ultimate successful result.

THE 21ST CENTURY ECONOMY

Our third great challenge is to respond to the scientific and technological revolution that will shape the trading system for the economy of the 21st century.

In every field of human activity -- medicine, environmental protection, agriculture, entertainment, transportation, materials science, information and more -- science is moving ahead with astonishing speed. And the transmission from the laboratory to the marketplace of new technologies is accelerating just as quickly.

Thus, new products, services and methods of conducting trade arise almost every day. Services as well as goods cross borders. Business is done by e-mail and computer as well as in person. This offers the world tremendous potential to increase wealth, raise productivity, improve health care, reduce hunger, ensure clean air and water, and promote education.

Our ability to reach this potential will depend in part on an appropriate response by the international trading system. A successful policy will ensure that the system's rules ease, rather than impede, the development and commercialization of new technologies. Our efforts on agriculture, services and intellectual property and other issues in the built-in agenda are important parts of this policy. As we look ahead, however, we need to consider how to address more fully emerging issues and keep the WTO at the cutting edge of commercial activity.

A. **MORE RAPID ACTION** -- First, the system must act more quickly than it has in the past. Companies now produce new products in a matter of months, and both information and money move worldwide instantaneously. So we can no longer afford to take seven years to finish a negotiating Round, or let decades pass between identifying and acting on tariff or non-tariff barriers.

We believe the WTO has begun to respond more quickly to these technological and commercial imperatives. The three agreements completed last year -- information technology, telecommunications, and financial services -- are excellent examples. The WTO deserves great credit for them. We see the possibility emerging for other such agreements, for example the ITA II now under discussion, the elimination of tariffs on new pharmaceuticals, and APEC's identification of sectors for trade liberalization.

B. GROUND RULES TO FACILITATE SCIENTIFIC ADVANCE -- Second, the WTO must, in all fields, ensure that the ground rules it sets facilitate the advance of science and the movement of beneficial innovations to the marketplace.

I have already cited the need for our agricultural negotiations to ensure that farmers and ranchers can improve productivity and protect the environment through use of the most advanced science. Let me cite one specific case: Global Electronic Commerce.

Global electronic commerce has the potential to bring consumers a vast range of benefits in everything from arts and entertainment to improved health care through telemedicine to easier and safer travel. It can also facilitate trade by allowing individuals to become entrepreneurs more easily, and by its potential applications to technical trade issues such as customs procedures.

Today, the world of electronic transmissions is, in trade terms, pristine. The GATT system, to oversimplify only slightly, represents fifty years of undoing the tariff and non-tariff barriers governments created after 1914. The right vision today will spare the next generation that work in electronic commerce. No member of the WTO now considers electronic transmissions imports subject to duties for customs purposes. There are no customs duties on cross-border telephone calls, fax messages or computer data links, and this practice must remain.

Thus, we believe that the Ministerial should agree to a standstill on customs duties on electronic transmissions, as a first step to make sure electronic commerce remains a catalyst for growth and expansion of trade, and consequently prosperity, choice and a higher quality of life. It should also adopt a work program on the trade-related aspects of electronic commerce.

THE CONCERNS OF CITIZENS

Fourth, the trade system must do more to build confidence with the public at large.

International trade is expanding and touching the lives of more people everywhere. The clothes we wear, the food we eat for breakfast, the cars we drive to work, the computers we turn on at the office, the microchips that make them run, and the banks in which we deposit our paychecks are all part of the trading system. And as trade's effect on people grows, so do the public's expectations of and concerns about the system.

Thus it comes as no surprise that the public takes a growing interest in the work of the WTO. And the system must respond by being more open and accessible. And the public expects assurances that growing trade will not compromise values at the heart of the quality of life -- in particular, environmental protection, public health, and policies regarding such issues as exploitive child labour.

A. OPENNESS AND TRANSPARENCY -- The WTO's operations must be more transparent. As a crucially important international institution, the WTO depends on public understanding of its role and confidence in its processes. Openness and transparency will create this understanding and confidence, and foster a more informed debate on issues of relevance to the world trading system.

We have already achieved some progress in our efforts to make the WTO a more open and understandable body. Creation of the Internet web site, publication of documents and symposia with non-governmental organizations (NGOs) have been beneficial. However, there is substantial scope for further progress, while maintaining the government-to-government character of the WTO.

Access to WTO documents remains difficult, since many continue to be "restricted" and not available. In the case of dispute settlement, the confidentiality of countries' submissions and procedural

restrictions on prompt public access to panel reports are perceived as deliberate means to keep the process secret and inaccessible. This does nothing other than breed distrust. While provision has been made for ministerial meetings to include observers in some of the ministerial conference business sessions, the Councils and other subsidiary bodies have not yet provided such opportunities.

We thus hope to see early action to improve the 1996 WTO decision on derestriction of documents to make the WTO more transparent, including circulation of panel reports to all Members and derestriction as soon as the report is finalized in the original language of the panel. We were pleased to be joined in these sentiments by the Trade Ministers of Canada, the European Union and Japan last month. We also believe there is no reason the interested public should be excluded from observing dispute settlement proceedings or filing amicus briefs.

We also urge the WTO to adopt a formal consultative mechanism to allow regular and continuous contact with the private sector and NGOs. Others have adopted such mechanisms -- the Western Hemisphere nations, for example, agreed on a Civil Society Committee as part of the Free Trade Area of the Americas negotiations, and the OECD has for some time maintained standing advisory contacts with both business and labour representatives. The WTO would benefit from the same type of exchange.

B. TRADE AND THE ENVIRONMENT -- Beyond such institutional issues, we must also examine the interaction between expanded trade and other shared policy goals of central importance to societies.

For example, the creation of prosperity through open trade, and the protection of the environment and the public health, are two basic goals of all WTO members. These goals need not conflict, and should be mutually supportive. Where there are potential conflicts, we should strengthen the capability of the WTO's existing mechanisms to resolve such questions in a manner that protects the environment, health and safety and does not undermine the world trading system. This includes working to ensure that the proper expertise is brought to bear on complex technical and scientific issues, particularly those with environmental, health and safety dimensions.

In many cases elimination of trade barriers will also contribute to a cleaner environment and the conservation of natural resources. For example, this can help countries gain access to cost-effective equipment and technology. Many of us are engaged in such discussions regionally. The negotiations in APEC to eliminate tariffs on environmental goods and services, for example, can help countries monitor, clean up and prevent pollution, and ensure clean air and water. Likewise, APEC's talks on eliminating tariffs on energy equipment and services can promote rapid dissemination of efficient power technologies, thus allowing production of power with reduced carbon emissions and contributing to international efforts to prevent climate change.

At the same time, as the trading system ensures that members avoid using environmental standards as disguised trade barriers, in eliminating barriers to trade we must not compromise on the maintenance of high levels of environmental, health and safety protection, or in the development of strong and effective measures to realize those standards. And the system must work together with multilateral environmental institutions.

The Uruguay Round's creation of a Committee on Trade and the Environment was a very important initial step. However, progress within the Committee has been slow. We thus call for a high-level meeting on trade and environment in order to provide direction and new energy to the WTO's discussion of trade and environmental policy, well in advance of the 1999 Ministerial. Then we can expect greater success in identifying and dealing with potential trade and environment conflicts in ways that protect the environment, health and safety and do not undermine the world trading system.

C. **TRADE AND LABOUR STANDARDS** -- A basic objective of the WTO, and the GATT before it, is to raise standards of living. There is no doubt that workers around the world have shared in the benefits of the international trading system. Today our challenge is to assure the workers in our countries that they will continue to benefit from this system. We must do more to reassure and demonstrate to our workers that trade contributes to their well-being, rather than undermines it.

As part of this effort, the observance of core labour standards -- banning forced labour and exploitive child labour, guaranteeing the freedom to associate and bargain collectively, eliminating discrimination in the workplace -- must be actively pursued. These are fundamental human rights and common concerns.

At Singapore we reaffirmed our commitment to the observance of internationally recognized core labour standards and recognized the role the International Labour Organization has to play in setting these standards. Since that time, the ILO has been negotiating a Declaration and follow-up mechanism on core labour standards.

This work is now at a critical juncture and the ILO must be able to demonstrate that it is capable of leading the effort to strengthen respect for the fundamental rights of workers. We are earnest in hoping that the June ILO Conference is able to successfully conclude this Declaration and a meaningful follow-up mechanism dealing with these standards.

We also look forward to more collaboration between the ILO and WTO Secretariats. Just as more contact between the WTO and the International Financial Institutions is important, active collaboration could be useful to the work of both organizations.

CONCLUSION

We recognize that this discussion only touches on a few of the critical issues before the WTO. Over the next 18 months, our officials will have to delve into the details of these and other questions. The agenda for the trading system is ambitious, both in terms of negotiations after this Ministerial Conference and as the basis for long-term strategic work.

But we believe it is a realistic agenda. And we believe its completion is essential for the trading world we hope to see. That trading world will be open to all nations; promote economic growth and sustainable development; help advance science, technology and innovation; ensure public confidence in the basic institutions of international trade; and improve the quality of life.

We should have no doubt that we will succeed. And if we look back to the vision of the founders of the GATT in 1948, and to the painstaking and detailed work ever since to realize that vision, we have proof enough.

Since 1948, in the world of economics, we have seen production grow and hundreds of millions of people escape from poverty. In international affairs, the advance of markets, peaceful settlement of dispute, and respect for the rule of law. And in the lives of individuals, greater freedom, a higher standard of living, and the justified aspiration for an even better future.

That is the legacy our predecessors left to us. If we remain true to their vision as we look to the next fifty years, it can also be our legacy to future generations.
